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IN THE

# Supreme Court of the United States

October Term, 1961.

No. 244.

DAIRY QUEEN, INC..

*Petitioner.*

v.

THE HON. HAROLD K. WOOD, Judge of the United States District Court of the Eastern District of Pennsylvania, H. A. McCULLOUGH and H. F. McCULLOUGH, a partnership, doing business as McCullough's Dairy Queen, and BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, Executrix of the Estate of Howard S. Dale, Deceased, Individuals,

*Respondents.*

## BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

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**Supreme Court of the United States.**

OCTOBER TERM, 1961.

No. 244.

**DAIRY QUEEN, INC.,**

*Petitioner,*

v.

THE HON. HAROLD K. WOOD, JUDGE OF THE UNITED STATES DISTRICT COURT OF THE EASTERN DISTRICT OF PENNSYLVANIA, H. A. McCULLOUGH AND H. F. McCULLOUGH, A PARTNERSHIP, DOING BUSINESS AS McCULLOUGH'S DAIRY QUEEN, AND BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY AND LORRAINE DALE, EXECUTRIX OF THE ESTATE OF HOWARD S. DALE, DECEASED, INDIVIDUALS,

*Respondents.*

**BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.**

Respondents H. A. McCullough and H. F. McCullough, a partnership, doing business as McCullough's Dairy Queen; Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Executrix of the Estate of Howard S. Dale, deceased, oppose the petition for a writ of certiorari to the United States Court of Appeals for the Third Circuit heretofore filed by Dairy Queen, Inc., and state below the grounds and reasons for their opposition.

**QUESTION PRESENTED.**

Did not the Court of Appeals properly deny petitioner's application for a writ of mandamus, where the District Judge had correctly concluded that petitioner did not have a right to jury trial in this case as framed in the complaint and answer because the issues are equitable?

**STATEMENT OF THE CASE.**

At the outset it is necessary to correct three errors which appear in the petition.

(1) Appendix B to the petition purports to quote the Opinion and Order of District Judge Harold K. Wood of June 1, 1961, granting respondents' motion to strike petitioner's jury trial demand. At page 21, the quote reads in pertinent part as follows:

" . . . However, we reserve judgment on the advisability (sic) of damages, if any, due plaintiffs. A (sic) the final hearing on the merits, according to the developments of the evidence, we may submit that question to a jury."

Judge Wood's Opinion actually reads as follows:

" . . . However, we reserve judgment on the advisability of the submission to a jury of the question of the amount of damages, if any, due plaintiffs. At the final hearing on the merits, according to the development of the evidence, we may submit that question to a jury." (Italics is matter omitted from Judge Wood's Opinion.)

(2) The petition (page 4, footnote 2) quotes, with apparent reliance, an excerpt from a discovery deposition given by H. F. McCullough on July 5, 1961. This quote is again relied on in the petition, page 10, footnote 3.

The McCullough discovery deposition is not a part of the record in this case. It was taken after the decision of

the Court of Appeals for the Third Circuit which is the subject of this petition. Neither the McCullough deposition nor any part of it was ever offered in evidence. The four questions and answers in this deposition, out of context, quoted and relied on by petitioner are part of a deposition which encompassed over one hundred pages. Any reference to the McCullough deposition is therefore grossly improper. Petitioner's unilateral act of "filing" this deposition with the Clerk of the District Court does not alter the impropriety. Respondents do not propose to compound petitioner's error by referring to other parts of the McCullough deposition, as it was never before any of the Courts in any proceeding at any relevant stage of this case.

(3) Petitioner also asserts that its Answer with demand for jury trial included the issue of "Misuse of patent" (paragraph (b), subheading (2), Petition, page 6). The issue of misuse of patent was not before any of the Courts below in these proceedings since this issue was first raised by way of amendment to the answer served on counsel for respondents on July 5, 1961. Again any reference to such an issue in this proceeding is wholly improper.

It is apparent from petitioner's argument and presentation that it concedes that its entitlement to a jury trial must stem from the issues as framed in the complaint and answer. Notwithstanding that these pleadings are so fundamental to the question which petitioner says is presented, petitioner has not seen fit to print either the complaint or the answer for ready reference. Instead, petitioner contents itself with a self-serving, inaccurate paraphrase of the pleadings, stated in such a manner as to convey the impression which pleases petitioner.

It will be immediately noted that petitioner views this action as one to "recover a balance of a debt" (petitioner's "Questions Presented", Petition, page 2). To clarify this point, we quote immediately below the exact prayer of the present complaint:

*Brief in Opposition to Petition*

"WHEREFORE, McCullough's Dairy Queen prays that this Honorable Court shall issue a preliminary injunction and, after a final hearing thereon, issue a permanent injunction:

(A) Enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them from

1. Using or licensing others to use McCullough's Dairy Queen trademark "DAIRY QUEEN";

2. Holding themselves out as an authorized "DAIRY QUEEN" operator;

3. Conducting any business operations in the manner and/or style of a "DAIRY QUEEN" operator;

4. Otherwise unfairly competing with McCullough's Dairy Queen and/or its other operators in the Commonwealth of Pennsylvania.

(B) Ordering an accounting to determine the exact amount of money owing by defendant to McCullough's Dairy Queen, and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount;

(C) Pending an accounting hereunder, enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them, from collecting any and all sums of money from Dairy Queen operators and mix plants and further requiring defendant through an authorized officer to advise and instruct Dairy Queen store operators and Dairy Queen mix suppliers to pay over any and all sums of money collected or to be collected, by way of royalty from the Dairy Queen stores into the registry of this Honorable Court, there to await such disposition as this Honorable Court may further direct.

"AND, McCullough's Dairy Queen further prays that it may have such other and further relief as may seem just in the premises to this Honorable Court, together with attorneys' fees, interest and costs."

It will readily be seen that the prayer of the complaint nowhere asks for recovery of any balance of any debt. Rather, the complaint seeks equitable relief as specifically set forth above.

Rather than devote any more space to a discussion of the generally inaccurate manner in which petitioner has analyzed the pleadings here, we respectfully invite this Honorable Court's attention to what the pleadings themselves say, as distinguished from any paraphrase thereof. To that end respondents have printed as an appendix to this opposition the Complaint, less exhibits (Appendix A) and the Answer (Appendix B) which were before the District Court and the Court of Appeals at relevant times. Also, respondents have printed, without errors or omissions (Appendix C), the Memorandum and Order of District Judge Harold K. Wood dated June 1, 1961, granting respondents' motion to strike petitioner's jury trial demand. It will be observed that in his Memorandum Opinion Judge Wood refers the reader to his earlier decision of December 28, 1960, on respondents' motion for a preliminary injunction for the factual background of this case. Since Judge Wood's Opinion of December 28, 1960, is not officially reported, it is likewise reproduced here (Appendix D).

Actually, the findings of fact made by District Judge Wood in his decision of December 28, 1960 \* (Appendix D), present the best and most concise statement of this case. Since Judge Wood had the complaint before him during the preliminary injunction hearing, and heard evidence and argument thereon, the resulting findings are certainly a more reliable statement than that which might be

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\* This decision was affirmed by the Court of Appeals for the Third Circuit in a *per curiam* decision of May 16, 1961.

submitted by either side. Although we recognize that these findings are not *res judicata* on the final merits of this case, nevertheless for present purposes the attention of this Honorable Court is respectfully invited to Judge Wood's findings of fact as the best statement of what this case involves.

Petitioner first demanded a jury trial in this case in its answer filed March 1, 1961, more than two months after Judge Wood's findings of fact and conclusions of law had been entered on the motion for preliminary injunction.

**ARGUMENT.**

The main thrust of petitioner's position seems to be that it has been denied its Constitutional right to a jury trial, relying mainly on *Beacon Theatres, Inc. v. Westover*, 359 U. S. 500 (79 S. Ct. 948) 1959. Petitioner has badly misconstrued the *Beacon Theatres* decision. In no sense is that case opposed to the holding of the District Court in this instance.

In *Beacon Theatres*, it was held that the right to jury trial applies to suits brought under the Declaratory Judgment Act and to treble damage suits under the anti-trust laws. This Court stated (at 359 U. S. 504):

"It follows that if Beacon had been entitled to a jury trial in a treble damage suit against Fox, it cannot be deprived of that right merely because Fox took advantage of the availability of declaratory relief to sue Beacon first. Since the right to trial by jury applies to treble damage suits under the anti-trust laws and is, in fact, an essential part of the congressional plan for making competition rather than monopoly the rule of the trade . . . the Sherman and Clayton Act issues on which Fox sought a declaration were essentially jury questions."

The present case is clearly distinguishable. The issues presented in the complaint and answer are plainly equitable. Although petitioner loosely refers to the anti-trust laws in its answer, this is done by way of raising an equitable defense to respondents' prayer for injunctive relief, rather than by way of seeking damages.

Nor is there any conflict between the decision below and the decision of the Eighth Circuit in *Leimer v. Woods*, 196 F. 2d 828; the Ninth Circuit in *Bruckman v. Holleer*, 152 F. 2d 730, or the Second Circuit in *Ring v. Spina*, 166 F. 2d 546.

*Brief in Opposition to Petition*

In *Leimer v. Woods*, a right to jury trial was held to exist under the Emergency Price Control Act and the Housing and Rent Act. In *Bruckman v. Holzer*, it was held that the right to jury trial existed in a cause of action for damages for copyright infringement, where the complaint incidentally contained a cause of action for equitable relief by way of accounting and injunction. In *Ring v. Spina*, a claim for damages for violation of the anti-trust laws was held triable by jury on timely demand.

Thus it is apparent that there is no genuine conflict between the decision below and any of the decisions relied on by petitioner. The distinguishable common characteristic between the cases relied on by petitioner and the present case is that in the former, a purely legal issue was framed by the pleadings. In the present case, that is not so; the complaint and answer speak for themselves, and speak in terms of purely equitable issues. Therefore the decision by District Judge Wood is abundantly supported by the authorities which he cites, which are in point. No useful purpose is perceived in reciting them here.

However, the apparent reason for the petition for certiorari is to obtain another delay in the final disposition of this case. That the petitioner is only seeking delays in the final adjudication of this cause is apparent by the fact that the petitioner did not seek a jury trial until more than two months after a preliminary injunction was entered against it. It is mystifying and a total paradox for petitioner to complain of the *res judicata* aspects of its case at pages 8 and 12 of the petition when petitioner did not ask for a jury trial until after it knew of the findings of fact of the Trial Judge on the hearing for the preliminary injunction. Petitioner, instead of making its request for a jury trial known in the timely fashion required by Rule 38 of the Federal Rules of Civil Procedure chose to wait and see which way the Trial Judge would decide equitable issues on the preliminary injunction before interposing a request for a jury. The *Beacon Theatres v. Westover* case, 359 U. S. 500, never

intended that a defendant, dissatisfied with an equitable ruling of a trial judge, could start all over again by way of a tardy request for a jury trial.

Petitioner, rather than relying on any real and substantial Constitutional rights, is simply misusing some of the language in the *Beacon Theatres* case in an attempt to delay judgment which is prejudicial to the equitable rights of the respondents. The Constitution was never intended to be used to postpone determination of equitable causes and deprive a plaintiff of its rights under the artful guise of a defendant's supposed rights to a jury.

In addition, there is serious doubt whether petitioner has complied with the word and spirit of Rule 23, subparagraph 4, of the Rules of this Honorable Court. Respondents have demonstrated in their statement of facts petitioner's failure to present this writ "with accuracy . . . and clearness . . . essential to a ready and accurate understanding of the points requiring consideration". For this reason alone the subject petition should be denied.

#### **CONCLUSION.**

1. The petitioner, through omissions and paraphrasing of the complaint and answer and Opinion below, tends to mislead this Court as to the true state of the record on which its application is based.
2. There is no conflict whatever between the decision below and the cases relied on by petitioner.
3. The decision below is amply supported by the authorities cited in the Opinion of District Judge Wood.
4. Under the issues framed by the pleadings, petitioner has not been denied any Constitutional right to a jury trial.

*Brief in Opposition to Petition*

For the foregoing reasons the petition for a writ of certiorari should be denied.

Respectfully submitted,

MARK D. ALSPACH,  
KRUSEN, EVANS AND BYRNE,  
*Attorney for Respondents.*

*Of Counsel:*

OWEN J. OOMS,  
MALCOLM S. BRADWAY,  
OOMS, WELSH & BRADWAY.

## APPENDIX A.

IN THE  
UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA.

CIVIL ACTION No. 28876

H. A. McCULLOUGH AND H. F. McCULLOUGH, A PARTNERSHIP, DOING BUSINESS AS McCULLOUGH'S DAIRY QUEEN

AND

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY AND LORRAINE DALE, EXECUTRIX OF THE ESTATE OF HOWARD S. DALE, DECEASED, INDIVIDUALS,

*Plaintiffs,*

v.

DAIRY QUEEN, INC.,

*Defendant.*

### COMPLAINT.

Plaintiffs, H. A. McCullough and H. F. McCullough, doing business as McCullough's Dairy Queen (hereinafter sometimes referred to as "McCullough's Dairy Queen"), allege as follows:

1. Plaintiffs, H. A. McCullough and H. F. McCullough, are a partnership doing business as McCul-

lough's Dairy Queen, and have a place of business at Moline, Illinois. Plaintiff Burton F. Myers, an individual, is a citizen of the State of Minnesota, residing at St. Paul, Minnesota. Plaintiff Robert J. Rydeen, an individual, is a citizen of the State of Minnesota, residing in St. Paul, Minnesota. Plaintiff M. E. Montgomery, an individual, is a citizen of the State of Arizona, residing in Tucson, Arizona. Plaintiff Lorraine Dale, Executrix of the Estate of Howard S. Dale, deceased, is a citizen of the State of Minnesota, residing in Minneapolis, Minnesota.

2. Defendant, Dairy Queen, Inc., is a corporation organized and existing under the laws of the State of Washington, which is registered to do business in the Commonwealth of Pennsylvania and has an office and place of business within this District.

3. Jurisdiction of the within matter is founded on diversity of citizenship of the parties and the amount in controversy in this action exceeds the sum of \$10,000, exclusive of interest and costs.

4. Said H. A. McCullough, together with a former partner of plaintiff, originated the name "DAIRY QUEEN" in 1940, and from that date to December 30, 1946, used said name in connection with the sale by them, or by others franchised by them, of a frozen dairy product made in accordance with a special formula developed by McCullough's Dairy Queen's predecessor, in the continental United States. On January 2, 1947, H. A. McCullough, under the name of McCullough's Dairy Queen, registered the trademark "DAIRY QUEEN" for a frozen dairy product in Pennsylvania, which registration has since been renewed and is current and subsisting and has been and is still the property of McCullough's Dairy Queen.

5. McCullough's Dairy Queen has franchised and licensed persons to use its trademark "DAIRY QUEEN" throughout the United States and the Commonwealth of Pennsylvania through state and district operators.

6. McCullough's Dairy Queen and its predecessors have had prepared, under their direction and supervision, plans and specifications of a distinctive prototype building, on which the name "DAIRY QUEEN" is prominently displayed, to be used by all "DAIRY QUEEN" retail stores. They have supplied blueprint copies of these plans and specifications to each state or district franchise operator throughout the United States, to be delivered by them to each of the store franchise operators in their territory to be used by them in the construction of the store buildings in which the frozen dairy product known as "DAIRY QUEEN" is sold. The district or state franchise operators have so delivered these copies of plans and specifications and the store franchise operators have so used these plans and specifications. Every one of the more than three thousand (3,000) "DAIRY QUEEN" stores throughout the United States has been built on the basis of these plans and specifications developed and distributed by McCullough's Dairy Queen and its predecessors, and as a result each "DAIRY QUEEN" store presents a distinctive appearance.

7. McCullough's Dairy Queen has spent large sums of money advertising and promoting the name "DAIRY QUEEN" throughout the United States and to the consumer public throughout the United States. McCullough's Dairy Queen has also spent large sums of money and has devoted substantial amounts of its time to the inspection of "DAIRY QUEEN" franchise stores operating throughout the United States in order to insure that the uniformity and quality of the product sold as "DAIRY QUEEN" is maintained and to insure that the stores themselves are kept clean and attractive. Further, McCullough's Dairy Queen has spent substantial amounts of time and money in the development and improvement and inspection of machines used in the sale of "DAIRY QUEEN" so as to maintain and improve the quality of the frozen dairy product sold at "DAIRY QUEEN" franchise stores; in the development of methods of improving the quality, taste and uniformity of the product sold

as "DAIRY QUEEN" by local store franchise operators throughout the United States; the development of uniform designs and markings for containers in which the product is sold to the public; and in the training and education of store franchise operators and their employees in the proper operation of local stores for the sale of the frozen dairy product known as "DAIRY QUEEN". By reason of McCullough's Dairy Queen's efforts and expenditures of money, the name "DAIRY QUEEN" has become associated in the minds of the consuming public with a uniform product of consistently high quality sold only at clean and attractive stores of uniform design operated by persons following substantially identical sales and operating methods, and the consuming public throughout the United States now regards all articles sold under the name "DAIRY QUEEN" as the products of one organization.

8. On October 18, 1949, McCullough's Dairy Queen's predecessors, namely a partnership consisting of H. A. McCullough, H. F. McCullough and J. F. McCullough, entered into an agreement with Messrs. Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Howard S. Dale, decedent of plaintiff Lorraine Dale herein, for the exclusive right to use the trademark "DAIRY QUEEN", among other things, in certain portions of the Commonwealth of Pennsylvania in consideration of the payment of certain sums, and providing for reversion to them in the event of default, and that the title to the territory granted remain vested in the McCulloughs, and also reserving the right to the trademark "DAIRY QUEEN" in the Commonwealth of Pennsylvania, except as specifically granted in separate agreements. A copy of the aforesaid agreement of October 18, 1949, is attached hereto and made a part hereof and marked as "Exhibit A".

9. On November 29, 1949, all of the rights granted in the contract of October 18, 1949, were assigned and transferred over to third parties, not here important, and on December 23, 1949, the October 18, 1949 agreement was

assigned and transferred over to the defendant, Dairy Queen, Inc. A copy of the aforesaid agreement and transfer of December 23, 1949, is attached hereto and made a part hereof and marked as "Exhibit B". In this document defendant assumed the performance of all obligations to McCullough's Dairy Queen set forth in the October 18, 1949 agreement.

10. In the October 18, 1949, agreement, defendant's predecessors agreed to pay four cents (4¢) a gallon on all mix used or sold through any and all "DAIRY QUEEN" stores, the said payment to be made to Ar-Tik Systems, Inc., of Miami, Florida, and the defendant's predecessors further agreed to pay to McCullough's Dairy Queen the sum of \$150,000.00 with a small partial initial payment and the remaining payments to be made at 50% of all amounts on sales of franchises or territorial rights made by defendant and its predecessors, or 50% of the sale value of all franchise or territorial rights used by defendant's predecessors, the said \$150,000.00 payment to be completed within a certain period of time, all as set forth in said contract.

11. Defendant respected said agreement of October 18, 1949, and made the payment of four cents (4¢) a gallon for a number of years and has made some payments in accordance with the said contract on the sale price of \$150,000.00.

12. Defendant has, for a number of years, ceased paying the aforesaid 50% of the value of all franchises sold or used by defendant as required in the contract, "Exhibit A", as well as to make certain annual minimum payments, although since that date defendant has continued to receive money from the sale of such franchises and has continued to have the benefit of use of certain territories, all of which has unjustly enriched defendant and constitutes a material breach of said contract.

*Appendix A*

13. McCullough's Dairy Queen, on information and belief, has been informed that defendant is in a precarious financial condition which has led McCullough's Dairy Queen to believe that unless defendant is enjoined by this Court, McCullough's Dairy Queen may lose, through bankruptcy or other action of defendant, its rights to money that has previously been collected and/or hereafter be collected by defendant for the benefit of McCullough's Dairy Queen. Furthermore, McCullough's Dairy Queen fears that the operation of "DAIRY QUEEN" stores in defendant's territory as set forth in the said contract, "Exhibit A", will be in jeopardy and not in accordance with standards required in the said contract, unless defendant is enjoined as herein-after provided; which operation of the stores in defendant's territory, initiated and promoted by McCullough's Dairy Queen, is important from the standpoint of the nationwide reputation of "DAIRY QUEEN" stores.

14. Defendant is in default to McCullough's Dairy Queen under the said contract, "Exhibit A", in excess of \$60,000.00.

15. McCullough's Dairy Queen, on information and belief, has further been informed that defendant, by reason of its failure to pay the 4¢ per gallon to Ar-Tik Systems, Inc., hereinbefore referred to, has been sued by Ar-Tik Systems, Inc.; and that said suit on September 13, 1960, resulted in an adjudication by the United States District Court for the Eastern District of Pennsylvania which, when liquidated by judgment, will result in defendant's liability to Ar-Tik Systems, Inc., in an amount in excess of \$100,000.00, as nearly as the same can presently be estimated. This leads McCullough's Dairy Queen to believe that unless defendant is enjoined by this Court, McCullough's Dairy Queen may lose, through bankruptcy or other action of defendant, the rights to money that has previously been collected by defendant for the benefit of McCullough's Dairy Queen.

16. By reason of the aforesaid, in accordance with paragraph nine of "Exhibit A", McCullough's Dairy Queen, on August 26, 1960, notified defendant by letter that defendant had been guilty of a material breach of the said contract; and that unless defendant cured its breach, its Dairy Queen franchise was cancelled. A copy of the aforementioned letter is attached hereto and made a part hereof, marked "Exhibit C". Defendant has not cured its default since the date of the aforesaid notice letter. McCullough's Dairy Queen, on information and belief, is further informed that defendant is contesting the right of McCullough's Dairy Queen to cancel its franchise agreement.

17. Subsequent to the notice letter referred to in paragraph sixteen, above, and following the cancellation of defendant's franchise accomplished thereby, defendant nevertheless continued, is continuing and threatens to continue to operate and to license others or franchise others to operate the Dairy Queen franchise in the pertinent Commonwealth of Pennsylvania territory, and to conduct business with the Dairy Queen stores and all other Dairy Queen business as an authorized and licensed Dairy Queen operator, all of which is in violation of the aforesaid cancellation and constitutes infringement by defendant of McCullough's Dairy Queen's trademark "DAIRY QUEEN".

18. In all of the foregoing premises, McCullough's Dairy Queen is threatened with immediate and irreparable injury and loss and McCullough's Dairy Queen has no adequate remedy at law.

WHEREFORE, McCullough's Dairy Queen prays that this Honorable Court shall issue a preliminary injunction and, after a final hearing thereon, issue a permanent injunction:

(A) Enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them from

*Appendix A*

1. Using or licensing others to use McCullough's Dairy Queen trademark "DAIRY QUEEN";
2. Holding themselves out as an authorized "DAIRY QUEEN" operator;
3. Conducting any business operations in the manner and/or style of a "DAIRY QUEEN" operator;
4. Otherwise unfairly competing with McCullough's Dairy Queen and/or its other operators in the Commonwealth of Pennsylvania.

(B) Ordering an accounting to determine the exact amount of money owing by defendant to McCullough's Dairy Queen, and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount;

(C) Pending an accounting hereunder, enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them, from collecting any and all sums of money from Dairy Queen operators and mix plants and further requiring defendant through an authorized officer to advise and instruct Dairy Queen store operators and Dairy Queen mix suppliers to pay over any and all sums of money collected or to be collected, by way of royalty from the Dairy Queen stores into the registry of this Honorable Court, thereto await such disposition as this Honorable Court may further direct.

And McCullough's Dairy Queen further prays that it may have such other and further relief as may seem just in the premises to this Honorable Court, together with attorneys' fees, interest and costs.

Plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, for their cause of action, allege as follows:

19. Plaintiffs Myers, Rydeen, Montgomery and Dale reallege and reiterate paragraphs one through eighteen of the foregoing complaint as though fully set forth herein.

20. By reason of defendant's default under "Exhibit A", plaintiffs Myers, Rydeen, Montgomery and Dale are liable to McCullough's Dairy Queen in the event that defendant cannot meet the obligations imposed upon it by "Exhibit A"; and defendant will then also be liable to plaintiffs Myers, Rydeen, Montgomery and Dale, in the same amount.

21. Plaintiffs Myers, Rydeen, Montgomery and Howard S. Dale, decedent of plaintiff Lorraine Dale herein, entered into an agreement with defendant, dated December 29, 1956, a copy of which is attached hereto and made a part hereof as "Exhibit D", whereby plaintiffs Myers, Rydeen, Montgomery and Dale are entitled to receive certain royalties from the "DAIRY QUEEN" operations under the franchise agreement of "Exhibit A", which amounts are threatened to be extinguished by reason of defendant's breach of the contract, "Exhibit A" and the consequent cancellation thereof by McCullough's Dairy Queen.

22. Defendant is presently in separate default under "Exhibit D" in that it has failed to pay to plaintiffs Myers, Rydeen, Montgomery and Dale all of the amounts of money thereunder due and owing to them during the year 1960.

23. By reason of all of the foregoing, the business interests of plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale under the aforesaid contracts are threatened with immediate and irreparable damage and loss, and will be so threatened, as to all of which plaintiffs Myers, Rydeen, Montgomery and Dale have no adequate remedy at law, unless defendant is removed as the authorized Dairy Queen operator; is made to account for monies due and owing McCullough's Dairy Queen and plaintiffs Myers, Rydeen, Montgomery and Dale; and is required to pay and/or compel payment of

any future royalties received into the registry of this Honorable Court.

WHEREFORE, plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale pray that this Honorable Court shall favorably entertain the application for relief made hereinabove by plaintiff McCullough's Dairy Queen; and join in the several prayers for relief as heretofore made by McCullough's Dairy Queen.

**KRUSEN, EVANS & SHAW,**

By **MARK D. ALSPACH,**

*Attorneys for Plaintiffs, H.  
A. McCullough and H. F.  
McCullough, a partnership  
d.b.a. McCullough's Dairy  
Queen.*

**KRUSEN, EVANS & SHAW,**

By **MARK D. ALSPACH,**

*Attorneys for Plaintiffs Bur-  
ton F. Myers, Robert J.  
Rydeen, M. E. Montgom-  
ery and Lorraine Dale,  
Exxx. of Est. of Howard  
S. Dale, deceased.*

*Of Counsel:*

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**OWEN J. OOMS AND**

**MALCOLM S. BRADWAY,**

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Chicago 2, Illinois.

## AFFIDAVIT.

**STATE OF ILLINOIS  
COUNTY OF**

33.

HUGH F. McCULLOUGH, being first duly sworn, deposes and states as follows:

1. I am a partner of McCullough's Dairy Queen and I am one of the plaintiffs set forth in the complaint which is attached hereto.
2. I have read the foregoing complaint and know the contents thereof, and that those allegations set forth in the complaint for McCullough's Dairy Queen cause of Action are true of his own knowledge, except to those matters alleged on information and belief and as to those matters, I believe them to be true.
3. As to those allegations set forth in the complaint in the cause of action of Burton F. Myers, Robert J. Rydeen, and M. E. Montgomery, I believe them to be true.

**Further affiant sayeth not.**

HUGH F. McCULLOUGH  
Hugh F. McCullough

Subscribed and sworn to before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1960.

### *Notary Public.*

*Appendix A***AFFIDAVIT.**

STATE OF  
COUNTY OF

} ss.:

BURTON F. MYERS, being first duly sworn, deposes and states as follows:

1. I am one of the plaintiffs set forth in the complaint which is attached hereto.
2. I have read the foregoing complaint and know the contents thereof and that as to paragraphs 1, 2, 20, 21, 22 and 23 of the foregoing complaint, I believe those matters therein to be true of my own knowledge.
3. As to the allegations of the remainder of the complaint, I believe them to be true.

Further affiant sayeth not.

BURTON F. MYERS  
Burton F. Myers

Subscribed and sworn to before me this 27th day of September, 1960.

(name illegible)

*Notary Public.*

## **APPENDIX B.**

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### **DEFENDANT'S ANSWER AND NEW MATTER**

For answer to the paragraphs of the Complaint in the above-entitled cause, the defendant says:

- 1, 2. Admitted.
3. Denied that the plaintiffs Burton F. Myers, et al. have a claim for an amount in excess of \$10,000.00 exclusive of interest and costs. The fact is that the defendant is not indebted to the said plaintiffs for any sums whatsoever.
- 4-7. Defendant alleges it is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraphs 4, 5, 6, 7, 8 and 9 of the Complaint, and, therefore, said allegations are denied.
8. The agreement of October 18, 1949, marked Exhibit "A", is admitted.
9. The assignment of December 23, 1949, marked Exhibit "B", is admitted.
10. Denied as stated. It is further alleged that the agreement referred to speaks for itself.
- 11, 12. Denied as stated. The fact is that the defendant has fully complied with the agreement of October 18, 1949.
13. Denied as stated. It is denied that the plaintiffs H. A. and H. F. McCullough have any claim or title to any funds collected by the defendant. The remaining averments of Paragraph 13 being argumentative and conclusions, no answer is made thereto.

14. Denied. The fact is that the defendant is in full compliance with the contract, Exhibit "A".

15. Denied as stated. The fact is that there has as yet been no final determination of defendant's liability to Ar-Tik Systems, Inc. for payments alleged to be due it under the said agreement marked Exhibit "A". The further fact is that the matter is on appeal in the United States Court of Appeals for this circuit, No. 13447.

16. The receipt of the letter marked Exhibit "C" is admitted. It is denied that the defendant was in default. The fact is that it was in full compliance with the said agreement.

17. Denied as stated. It is denied that the effect of the letter marked Exhibit "C" was a cancellation of the defendant's franchise. The fact is that the defendant was in full compliance with the said agreement and for further answer refers to the New Matter hereinafter set forth.

18. A. Denied.

B. It is averred that the Complaint upon which the plaintiffs H. A. McCullough and H. F. McCullough rely fails to state a claim against the defendant upon which relief can be granted.

19. For answer, defendant refers to its answers to Paragraphs 1 to 18, inclusive.

20. It is denied that the plaintiffs Burton F. Myers et al. have any standing, claim or right as a party plaintiff in the instant action. The averments of Paragraph 20 of the Complaint are conclusions of law and require no specific answer. If it is intended as a claim through the first-named plaintiffs, H. A. McCullough et al., defendant incorporates herein Paragraphs 24A, B and C. It is further averred that the averments of the Complaint relied upon by the plaintiffs

Burton F. Myers et al. fail to state a claim against the defendant upon which relief can be granted.

21. The agreement marked Exhibit "D" is admitted.

22. Denied. The fact is that the defendant is in full compliance with the said agreement marked Exhibit "D".

23. Denied as stated. The fact is that the plaintiffs Burton F. Myers et al. have no claim in law or in equity against the defendant.

And for further defense:

24. A. Plaintiffs are barred from the relief prayed for by virtue of misuse and continued misuse of the "Dairy Queen" trademark by H. A. McCullough, H. F. McCullough and McCullough's Dairy Queen. The misuse which bars plaintiffs from the relief prayed for includes conspiring with others throughout the United States to extend the payment of royalties for the use of an invention covered by a United States patent beyond the expiration date of said patent, and said plaintiffs have participated in the enjoyment of such wrongfully extended royalties and seek to continue doing so. Plaintiffs have also misused said "Dairy Queen" trademark by compelling licensees thereunder to use a particular freezer and to purchase such freezers solely through plaintiffs, and plaintiffs have further misused said "Dairy Queen" trademark by conspiring with freezer manufacturers to restrict the sales of such freezers only to those licensed by the plaintiffs under their "Dairy Queen" trademark.

B. Plaintiffs are barred from the relief prayed for by virtue of violations and continued violations of the Antitrust laws of the United States by H. A. McCullough et al. The Antitrust violations which bar plaintiffs from the relief prayed for include conspiring with others to restrain com-

petition in the manufacture and sale of freezer machines throughout the United States.

25. A. Plaintiffs H. A. McCullough and H. F. McCullough seek a forfeiture of the agreement marked Exhibit "A" and attached to the Complaint on the ground that there has been an omission to pay the annual minimum payment of \$18,625.00 provided for in Paragraph 4b(2). The fact is that this annual minimum payment has not been made since October 16, 1954, and it is averred that the said plaintiffs are barred from asserting this default as a result of

(1) Laches.

(2) Estoppel in that since October 16, 1954, the defendant with the full knowledge of the said plaintiffs has expended upward of \$300,000. in the further development of the territory covered by the agreement marked Exhibit "A".

#### NEW MATTER

26. On or about January of 1955 the plaintiffs H. A. McCullough and H. F. McCullough, acting by their authorized agent, Hugh F. McCullough, and Dean Mohler, acting on behalf of defendant, orally agreed that the agreement marked Exhibit "A" should be modified so that there would no longer be any obligation on the part of defendant effective with October 15, 1954 for the defendant to make the said annual payment but that thereafter the defendant should pay the plaintiff 50% of the proceeds received by the defendant from the sale of sublicenses made under the said agreement.

27. Pursuant to the said oral arrangement and agreement modification, the defendant paid to and the said plaintiffs received the sums hereinafter set forth on the dates indicated, representing 50% of the proceeds of the sublicenses made by the defendant:

December 29, 1956 .....	\$5,000.00
April 20, 1959 .....	5,000.00
January 7, 1960 .....	2,887.50
September 30, 1960 .....	3,970.20

28. Defendant demands a trial by jury.

/s/ MICHAEL H. EGNAL,  
Michael H. Egnal,  
*Attorney for Defendant.*

Service of a copy of the above Answer on the 1st day  
of March, 1961, is acknowledged.

KEUSEN, EVANS & SHAW,  
By s/  
*Attorneys for Plaintiffs.*

## APPENDIX C.

### MEMORANDUM AND ORDER SUR PLAINTIFFS' MOTION TO STRIKE DEFENDANT'S DEMAND FOR JURY TRIAL.

Wood, J.

June 1, 1961

On December 28, 1960, we granted the plaintiffs' motion for a preliminary injunction and filed findings of fact and conclusions of law in support of our order. The factual background of this case is sufficiently set forth in the aforesaid memorandum. Subsequently, the defendant filed its answer to the plaintiffs' complaint and demanded a jury trial. The defendant did not specify the issues on which it demanded a jury trial, and it is consequently up to the Court to determine whether any of the issues in this case as presented by the pleadings to date are of a "legal nature."

Rule 38 of the Federal Rules of Civil Procedure provides in pertinent part as follows:

#### "JURY TRIAL OF RIGHT.

"(a) **JURY PRESERVED.** The right of trial by jury as declared by the Seventh Amendment to the Constitution . . . shall be preserved to the parties inviolate."

It is settled law that although the Federal Rules of Civil Procedure provide for "one form of action"—a civil action —, the traditional distinction between legal and equitable actions must be referred to in order to determine a party's right to a jury trial. Although we agree with the defendant that the form of relief sought by the plaintiffs is not necessarily determinative of the question of the defendant's right to a jury trial, nevertheless the form of relief sought in the complaint is an important factor to be considered in charac-

terizing the issues in the case as either equitable or legal. (See Moore's FEDERAL PRACTICE, Vol. 5, p. 158 et seq.) For example, if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. However, if the complaint sought specific performance of the same contract, the issues raised would be equitable in nature and neither the plaintiff nor the defendant would be entitled to a jury trial.

In the case at bar the complaint alleges that the defendant entered into a contract with the plaintiffs in 1949 whereby the plaintiffs licensed the defendant to use the plaintiffs' registered trademark "Dairy Queen" and permitted the defendant to sub-license others to use the trade name. In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. According to a provision of the contract, the defendant's right to use the plaintiffs' trademark ceased at the time of the defendant's breach. Accordingly, it is alleged that since 1954 the defendant has been infringing the plaintiffs' trademark and has been collecting money in violation of the plaintiffs' rights and will continue to do so unless enjoined by this Court. The complaint seeks, in effect, a declaration that the licensing contract is null and void; an accounting of profits illegally obtained by the defendant since 1954 to date; and a permanent injunction restraining the defendant from any use of the plaintiffs' trademark "Dairy Queen", and from executing any more sublicense agreements authorizing third-persons to use that trademark. Incidental to this relief, the complaint also demands the \$60,000 now allegedly due and owing plaintiffs under the aforesaid contract.

The defendant admits the existence and provisions of the contract, but alleges that prior to the alleged breach, the parties entered into an oral agreement which amounted to a novation (Restatement of the Law of Contracts, § 424); that according to the terms of the novation, the defendant is

not in breach of the original contract; and that consequently the defendant is not infringing and has not infringed the plaintiffs' trademark. In addition, the defendant alleges that the plaintiffs, because of violations of the antitrust laws, have come into Court with unclean hands and, hence, are not entitled to equitable relief.

As we analyze the issues raised by the complaint and the answer, the nature of the plaintiffs' case is purely equitable.<sup>1</sup> Whether the plaintiffs' claim be viewed as a claim for relief for infringement of a trademark,<sup>2</sup> or a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark "Dairy Queen" in Pennsylvania,<sup>3</sup> or a claim to injunctive relief coupled with an incidental claim for damages,<sup>4</sup> all issues raised thereby are for the Court's determination.

The remaining question is whether the defendant's answer poses a legal issue on which the defendant is entitled to trial by jury. There is no doubt that a defendant is entitled to a jury trial of an issue legal in nature raised by

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1. See Moore's FEDERAL PRACTICE, Vol. 5, p. 207, where the author states: "The common law of trademarks is but a part of the broader law of unfair competition. \* \* \* if he so elected, plaintiff could seek injunctive relief, with damages as incidental thereto, and all the issues are equitable in nature, i.e., for the court."

2. See *Crane Co. v. Alonso H. Crane, et al.*, (N. D. Ga. 1957), 157 F. Supp. 293, where the court held that a complaint alleging that defendants had infringed plaintiff's trademark and plaintiff asked for injunction, accounting, attorneys' fees, costs, and such other relief as the court might deem just, the complaint was one for equitable relief and the issue of damages was incidental, and defendants were not entitled to a jury trial.

3. See *Greenhood v. Orr & Sembower, Inc.*, (D. C. Mass. 1958), 158 F. Supp. 906, where the court held that the relief requested by plaintiff was a declaration that a franchise granted to the defendants for use of a machine was null and void and that such action was, in effect, one for cancellation of a contract, a proceeding which is traditionally equitable in nature and plaintiff was not entitled to a jury trial.

4. See *Greenhood v. Orr & Sembower, Inc.*, footnote 3, and *Crane Co. v. Alonso H. Crane*, footnote 2, *supra*.

the answer, even in a case in which the complaint raises only equitable issues. However, in the case at bar, we think that the defendant's answer raises only equitable issues. *Upjohn Co. v. Schwartz*, (S. D. N. Y. 1953), 117 F. Supp. 292; and *Folmer Grafex Corp. v. Graphic Photo Service, et al.*, (D. C. Mass. 1941), 41 F. Supp. 319. Therefore, we think neither party has the right to a jury trial of any of the issues raised by the pleadings in this case. However, we reserve judgment on the advisability of the submission to a jury of the question of the amount of damages, if any, due plaintiffs. At the final hearing on the merits, according to the development of the evidence, we may submit that question to a jury.

For the foregoing reasons, we enter the following Order:

**ORDER.**

And now, to wit, this 1st day of June, 1961, It Is ORDERED that the plaintiffs' motion to strike the defendant's demand for a trial by jury is hereby GRANTED. This action is to be heard on the merits by the Court sitting without a jury on June 27, 1961, at 10 a.m.

By THE COURT:

/s/ HAROLD K. WOOD, J.

## **APPENDIX D.**

### **FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER SUR PLAINTIFFS' MOTION FOR A PRE- LIMINARY INJUNCTION.**

December 28, 1960.

WOOD, J.

#### **L. FINDINGS OF FACT.**

After a hearing at which plaintiffs presented evidence in support of their motion for a preliminary injunction, we make the following Findings of Fact:

1. Plaintiffs, H. A. McCullough and H. F. McCullough, are a partnership doing business as McCullough's Dairy Queen and have a place of business at Moline, Illinois; plaintiff Burton F. Myers is a citizen of the State of Minnesota; plaintiff Robert J. Rydeen is a citizen of the State of Minnesota; plaintiff E. M. Montgomery is a citizen of the State of Arizona; plaintiff Lorraine Dale is a citizen of the State of Minnesota.
2. The defendant, Dairy Queen, Inc. is a corporation organized under the laws of the State of Washington; is registered to do business in Pennsylvania; and has a place of business within this judicial district.
3. The amount in controversy exceeds \$10,000, exclusive of interest and costs.
4. McCullough's Dairy Queen owns the trade-mark "Dairy Queen," the name for a frozen dairy product sold at distinctive retail outlets. The trade-mark is registered under the laws of the Commonwealth of Pennsylvania.
5. McCullough's Dairy Queen has licensed persons to use its trade-mark "Dairy Queen" throughout the United States, including the State of Pennsylvania.
6. Through the efforts of McCullough's Dairy Queen, the name "Dairy Queen" has become associated in the

minds of the consuming public with a uniform product of high quality sold at clean retail stores of a uniform design.

7. On October 18, 1949, plaintiffs Myers, Rydeen, Montgomery and Dale, entered into a contract with McCullough's Dairy Queen for the purchase of the exclusive right to use the trade-mark "Dairy Queen" within a described area of Pennsylvania. This contract was subsequently assigned to the defendant Dairy Queen, Inc. The defendant assumed all of the obligations of the contract.

8. The contract of October 18, 1949 (which was assigned to the defendant as stated above), authorized the defendant to conduct the operations of the development of the Dairy Queen retail outlets in a described area of Pennsylvania. The defendant acquired under the contract the right to subfranchise others to use the trade-mark "Dairy Queen" within the described area of Pennsylvania. In return, the defendant promised to pay McCullough's Dairy Queen the minimum sum of \$18,625.00 a year until the amount of \$149,000.00 was fully paid as consideration for the use of the trade name.

9. Since 1954, the defendant has not met the minimum payment required by the contract. At present, a balance in excess of \$60,000 is past due and owing by the defendant to McCullough's Dairy Queen.

10. The contract of October 18, 1949, provided that failure of the defendant to make payments promptly as required therein would cause any rights of the defendant acquired under the contract to cease and become null and void, unless the default were corrected.

11. On August 26, 1960, McCullough's Dairy Queen wrote a letter to the defendant stating that unless the defendant's default in payments due under the contract were corrected promptly, the contract was deemed cancelled. This letter was received by the defendant.

12. To date, the default has not been corrected.

13. The defendant does not itself operate retail outlets for the sale of Dairy Queen. Its primary business operation is licensing others to use the Dairy Queen name by way of subfranchise agreements. The defendant has negotiated between thirty and forty such subfranchise agreements since 1954.

14. Subsequent to the letter cancelling the contract (see Finding Number II), the defendant nevertheless continued to negotiate subfranchise agreements as aforesaid. Approximately five new subfranchise agreements were negotiated by the defendant in 1960.

15. At present, the defendant has a list of prospective buyers for these subfranchise agreements and intends to pursue these business opportunities unless prevented from doing so by this Court.

16. Because of the defendant's continued use of the plaintiff's trade-mark "Dairy Queen" and the defendant's present intention to collect the profits from execution of new subfranchise agreements purporting to license others to use the name "Dairy Queen", McCullough's Dairy Queen is suffering and will continue to suffer irreparable injury and loss.

#### CONCLUSIONS OF LAW.

1. The Court has jurisdiction over the parties and over the subject matter of this suit.
2. The defendant breached the contract of October 18, 1949, in failing to meet the minimum yearly payments required thereunder.
3. The contractual provision requiring the minimum payment of \$18,625.00 per year was not changed by any oral agreement.
4. McCullough's Dairy Queen had the right to and did effectively cancel the contract of October 18, 1949, by the letter of August 26, 1960.

5. Upon cancellation of the contract of October 18, 1949, defendant's right to the use of the trademark "Dairy Queen" ceased. All subfranchise agreements and other uses of that trademark by defendant subsequent to the cancellation of the contract constituted infringements of plaintiff McCullough's Dairy Queen's trademark.

6. Defendant will continue to infringe plaintiff's trademark unless restrained by this Court. Continued use by defendant of the name "Dairy Queen" will result in irreparable injury and loss to plaintiff McCullough's Dairy Queen, for which there is no adequate remedy at law.

7. The plaintiff's right to relief having been established, the chancellor must still balance the equities between the parties when deciding upon the proper scope of injunctive relief to be granted. The preliminary injunction should be drawn so as to preserve the status quo pending a full hearing on the merits. Applying these principles to the facts before us, we think that preliminarily restraining the defendant from any and all use of the name "Dairy Queen" would be inequitable, since defendant would thereby be prevented from operating *any* phase of its business. We do, however, think it proper to preserve the status quo between the parties by preventing the defendant from negotiating any more subfranchise agreements for the use of the name "Dairy Queen." We therefore enter the following Order:

#### ORDER.

And now, to wit, this 28th day of December, 1960, the defendant, Dairy Queen, Inc., and its agents are hereby enjoined from executing any "Dairy Queen" franchise or subfranchise agreements unless such agreements have the written approval of the plaintiffs or of this Court. In all other respects, the plaintiffs' motion for a preliminary injunction is hereby DENIED.

By THE COURT:

/s/ HAROLD K. WOOD, J.